

TOP SECRET [REDACTED]
NOFORN NOCONTRACT ORCON
Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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CENTRAL AMERICAN MONTHLY REPORT #4 [REDACTED]

Summary

Sandinista concern over a possible invasion has reached a near panic level in the aftermath of US actions in Grenada. [REDACTED]

[REDACTED] In El Salvador, continued Army setbacks have prompted General Vides to make sweeping changes in the military command structure, including strengthening the general staff and appointing more competent field commanders. In Guatemala, rightist violence has caused new problems in Mejia's relations with the US and the Catholic Church. The Suazo government continues to strengthen its hand in Honduras. Costa Rica has issued a new proclamation of neutrality to improve its international image. In Panama, General Noriega has removed the leftist Vice President because of recent critical foreign policy statements. Meanwhile, the Contadora negotiations are making little progress. [REDACTED]

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TOP SECRET [REDACTED]
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NICARAGUA

Military

[REDACTED]

[REDACTED] Eden Pastora's guerrillas proclaimed the start of a major offensive in southern Nicaragua in mid-November but did little damage. The only evidence of the offensive [REDACTED] was their attack on the border town of Cardenas. [REDACTED]

[REDACTED]

Political

In the aftermath of the events in Grenada, Nicaraguan fears over a possible US-supported invasion increased dramatically. [REDACTED]

[REDACTED]

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EL SALVADOR

Military

The guerrillas were able to maintain the pace of their military attacks in eastern and central El Salvador throughout November. On three separate occasions, insurgent units routed newly-trained government battalions, two of which recently had received training from US personnel. [REDACTED]

In an effort to bolster the government's sagging war effort, Defense Minister Vides announced sweeping changes in the Salvadoran high command. Colonel Adolfo Blandon was appointed Chief of Staff, Lieutenant Colonel Miguel Mendez was named head of operations, and Lieutenant Colonel Domingo Monterrosa received command of the 3rd Brigade. At least nine other major field commands—including three of the four US-trained immediate-reaction battalions—received new commanders. In addition, the Army's six military zones were realigned, placing the easternmost departments of San Miguel, Morazan, and La Union under command of the 3rd Brigade. [REDACTED]

Blandon and Mendez are competent and respected commanders, and their appointments almost certainly presage a substantial increase in the command and control authority of the general staff. Monterrosa is considered the Army's most effective combat commander, and the reorganization of the eastern departments—where fighting has been most intense over the past few months—underscores the government's concern about recent guerrilla successes there. [REDACTED]

Government forces remain largely on the defensive, although local offensives were conducted in western Cabanas and northern San Vicente. [REDACTED]

Political

The selective use of violence by far right terrorist groups continued through November and likely will be a significant factor during the upcoming presidential campaign. Extreme rightists are frustrated by their failure to reverse reforms, concerned with recent gains by the guerrillas on the battlefield, and fearful that moderate government leaders may seek reconciliation with the insurgent left. [REDACTED]

The election process appears to be on track with the Assembly's recent passage of a temporary electoral decree. The presidential election will be held on 25 March 1984, and the new President will be inaugurated on 1 June for a five-year term. Military personnel who request retirement will be eligible to run for public office, but thus far no active military officers have shown interest in contesting the election. Although a formal voter registration effort began this month, [REDACTED] it is unlikely to be ready for use in the presidential balloting. Nevertheless, many politicians are requesting that municipal elections be held on 25 March, which would require a comprehensive registry. [REDACTED] such a registry could be counterproductive—at least in the March election—because it would force hundreds of thousands to return to home districts, many of which are in guerrilla-controlled territory. This would probably reduce voter participation substantially. [REDACTED]

GUATEMALA

Political

[REDACTED]

[REDACTED]

A more serious threat to Mejia's initiatives and survival is the rise in insurgent terrorism and abuses by security forces and ultrarightist extremists. Mejia may decide to move up the official convocation of the electoral campaign to this month, but already at least six party organizers from new leftist political groups apparently have been kidnapped. Such intimidation of moderate and leftist parties is likely to increase as elections approach and, if some groups decide not to participate, the field may be restricted to mostly rightwing parties. This might prompt military intervention by reformist officers opposed to a victory by the far right. [REDACTED]

The Catholic Church stepped up its denunciations of the violence following the murder of a priest after Mejia publicly accused some in the clergy of supporting the insurgents. Although responsibility for the murder has not been established, Church officials and the media are blaming the government. In addition, neither the press nor the diplomatic corps accepts the government's claim that the deaths of three of the Guatemalan employees of the US Agency for International Development kidnapped in October were due to an automobile crash. [REDACTED]

Military

The insurgents are increasing urban terrorism and rural attacks, and recently scored a notable success by killing one of the Army's top field commanders in an ambush. [REDACTED]

HONDURAS

Political

Infighting in both major political parties continues and apparently is strengthening President Suazo's hand. The ruling Liberal Party is purging supporters of dissident former minister Jose Azcona del Hoyo in an attempt to weaken his chances for a 1985

presidential bid. In the opposition National Party, longtime leader Ricardo Zuniga was ousted from power by the installation of a factious anti-Zuniga party bloc. Apparently Liberals and anti-Zuniga Nationalists in the Congress have concluded an informal pact to support the Suazo Government as part of their efforts to weaken both Azcona's and Zuniga's influence. [REDACTED]

Economic

Assisted by the informal Congressional pact between the two major parties, the Suazo government achieved swift approval for the 1984 central government budget in late October. Although its overall level is \$75 million less than in 1983, the budget slates an almost 20-percent increase in funds for public debt servicing. Moreover, continued heavy payments on publicly guaranteed private debt probably will push Honduras out of compliance with its IMF standby agreement, thus jeopardizing disbursement of the last 1983 tranche of \$16 million. [REDACTED]

Responding to recent private sector pressures, the Suazo government rammed an economic emergency decree through the Congress in late November. The measure gives the executive broad powers to enact new—but as yet unspecified—solutions to current economic problems. Moreover, [REDACTED] a restructuring of the President's economic cabinet appears imminent as an additional gesture to the private sector. [REDACTED]

Military

COSTA RICA

Political

The resignation of Foreign Minister Volio—the government's leading anti-Sandinista hardliner—has raised fears in San Jose and in the region that left-of-center elements in the government are gaining influence. For some critics, this view was reinforced by President Monge's formal proclamation of Costa Rican neutrality at mid-month. Nevertheless, Monge sought to appease hardliners by the insertion of language reaffirming San Jose's commitments to regional security arrangements. The government's recent indecision about whether to proceed with a development project near the Nicaraguan border region involving up to 1,000 US Army engineers is a further sign of the more neutral direction of the country's foreign policy. [REDACTED]

Despite the restoration of normal diplomatic ties in early November, relations between San Jose and Managua worsened at mid-month following another border skirmish between Sandinista troops and Costa Rican-based insurgent forces. In addition, the increasing flow of Nicaraguan refugees into Costa Rica has heightened government concern over the refugee camp population, which now numbers some 2,000 and is increasing by 150 per week. [REDACTED]

Economic

San Jose narrowly averted a cutoff of IMF funds this past month by unifying and adjusting its two-tiered exchange rate, as required by last year's standby agreement, in time to comply with the IMF's December 1983 performance targets. Negotiations to conclude a new standby agreement for 1984, however, have stalled over next year's proposed \$3-billion budget and IMF concern about some reforms that have not yet been enacted. It now appears that a new accord, originally scheduled to be concluded this month, may be several more weeks in coming. [REDACTED]

PANAMA

The temporary replacement of Vice President Illueca apparently was prompted by his criticism of Panama's involvement in the Central American Defense Council. [REDACTED] Defense Forces Commander Noriega had openly supported the Council's revival and [REDACTED] was angered by Illueca's speech to the National Assembly in November disavowing Panama's participation in the regional military organization. Minister of Government and Justice Ozores has been appointed Acting Vice President, ostensibly until Illueca's term as President of the UN General Assembly expires next September. [REDACTED]

Although the government tolerated earlier indiscretions by Illueca as a concession to the left and as a means of promoting its Third World credentials, Noriega probably believes the removal of the leftist-leaning Vice President will help assure a more unified

approach in foreign policy matters. Moreover, Illueca's tendency to make foreign policy statements independent of official policy lines is likely to prevent his return to the vice-presidency. It is unclear [REDACTED] whether Illueca's chastisement by the Panamanian leadership will cause him to take a more favorable posture towards Washington in the UN, where he may still exert influence independently in the General Assembly. [REDACTED]

Economic

The potentially explosive labor situation created by striking banana workers was averted when they returned to work after reaching settlement with the US-owned company. In addition, the labor union's Communist legal adviser—considered a source of disruption during the negotiations—probably will leave his post as a result of the new contract. Although some problems still confront the banana industry in Panama, [REDACTED] the current agreement will pave the way for smoother relations in the future. [REDACTED]

REGIONAL PEACE NEGOTIATIONS

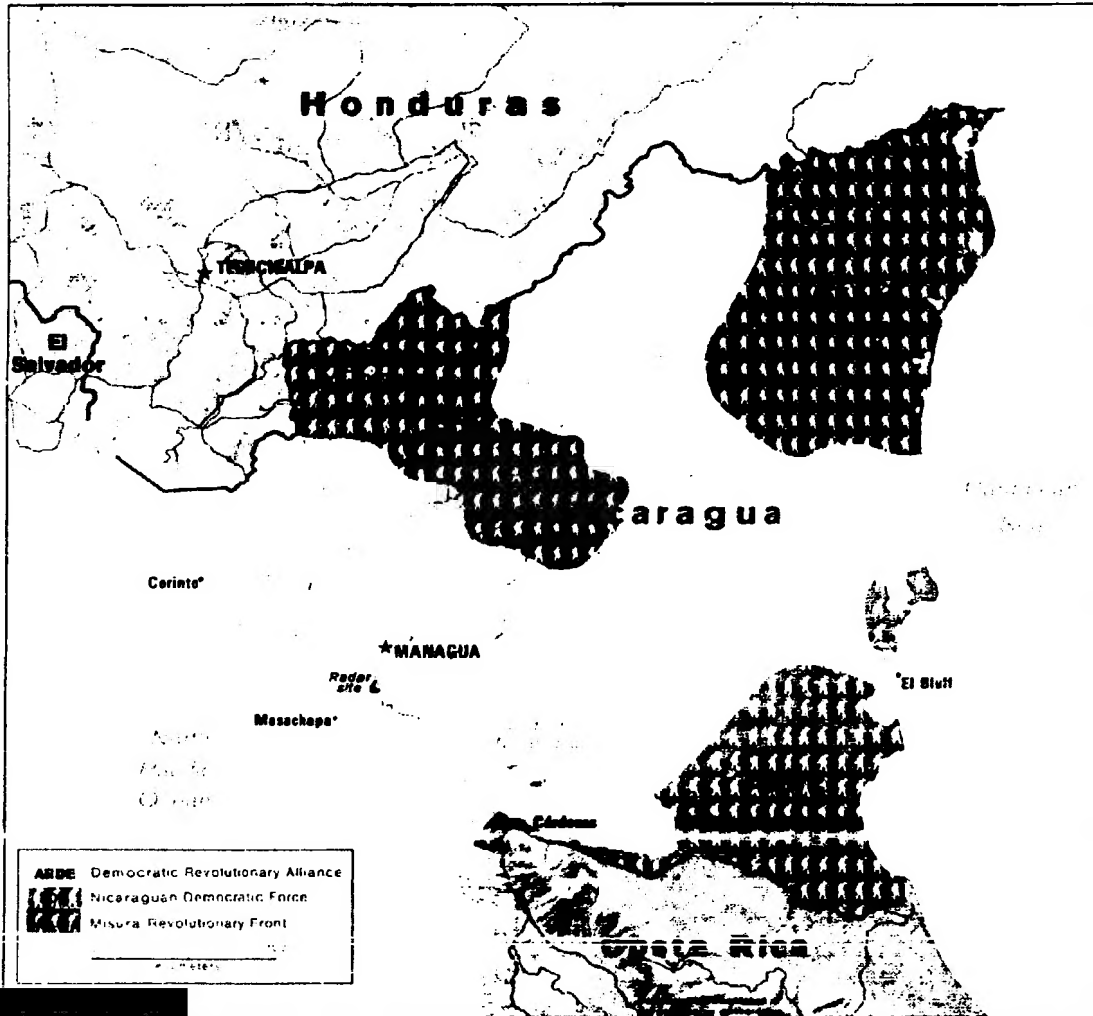
[REDACTED]

Nicaragua continued to show indications of flexibility, but its active diplomacy probably reflects its fear that the Contadora deck is stacked against it. Junta coordinator Daniel Ortega toured all the Contadora capitals at mid-month to present "evidence" of an imminent invasion by the US. A second purpose of the trip was to attempt to convince the Contadora countries to delay work on comprehensive treaty drafts and to persuade them to respond to Nicaragua's October peace proposals, which include bilateral treaties with the US and Honduras as well as a broad Central American security treaty. [REDACTED]

The Sandinistas probably damaged their standing with three of the Contadora countries through their pursuit of a one-sided resolution during debate on Central America at the UN General Assembly. Only Mexico firmly supported Nicaragua—despite a few attempts to moderate the resolution—and as a result was later publicly accused of bias by Honduras. The text of the resolution, which was finally approved by consensus, contains some minor victories for the Nicaraguans. Nevertheless, it was a far cry from what the Sandinistas sought and probably hoped they could get, and was widely regarded at the UN as a setback for Nicaragua. [REDACTED]

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General Operating Areas of Insurgent Groups



~~Secret~~

~~Secret~~

Salvadoran Military Zones



~~Secret~~

Not Releasable to Foreign Nationals